ARIZONA CORPORATION COMMISSION

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Commission Halts Wind Energy Investment Scheme Before It Spreads

Sanctions Others for Unregistered Investment Sales Activity

PHOENIX, AZ—The Arizona Corporation Commission today issued cease and desist orders for multiple companies and individuals who were offering and selling unregistered investment programs—the first involving a "wind farm," the second involving a consulting business and a third involving hard-money construction loans. Through these orders, the Commission put a stop to the unregistered investment sales activity before it became widespread.

Before any known Arizona investors were financially harmed, the Commission shut down a wind energy investment scheme promoted by a former Delaware company, Mountain State Power, Inc., and ordered the payment of a $20,000 administrative penalty. The Commission found that the company, while doing business as Sovereign Energy Partners, Inc. and Sovereign Energy International, solicited investor funds through telephone calls, emails, and the Internet—including a social media site—for a cooperative "wind farm" project out of South Dakota. The Commission found that Mountain State Power, Inc., which was not registered to offer or sell securities in Arizona, made false representations about owning land and having valid permits to facilitate a wind energy project.

In a separate case, the Commission ordered a Chandler couple, Roger D. Woods and Jocelyn Dela Cruz Clemente, to pay $48,905 in restitution and a $10,000 administrative penalty for fraudulently offering and selling unregistered investment programs involving their consulting company, Phoenix Funding, LLC. The Commission found that Woods and Clemente were both managers of Phoenix Funding, LLC, but were not registered to offer and sell securities in Arizona when they sold a credit-building and repair program investment to two investors. The Commission found that, while touting their extensive business and financial expertise, Woods and Clemente failed to disclose their pending bankruptcy and foreclosure proceedings and that their payment of investment "profits" to the first investor was the result of a cash advance from one of the second investor's existing credit cards. In settling this matter, Woods and Clemente neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

Finally, the Commission ordered Peoria resident Jimmy Hartgraves, Jr. and his affiliated limited liability company to pay a $10,000 administrative penalty for offering and selling unregistered securities involving construction loans. The Commission found that Hartgraves is the managing member of a licensed, Arizona-based mortgage brokerage company, Morgan Financial, LLC, which is primarily in the business of originating residential mortgage loans and hard-money loans secured by a deed of trust in real estate. The Commission found that, while not registered to offer or sell securities in Arizona, Hartgraves and his affiliated companies pooled investor funds together to fund the hard-money construction loans and, in return, issued subordinated promissory notes to at least 35 Arizona residents and entities.

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov**.**

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